



COMMISSION ON INSURANCE

COUNTY OF LOS ANGELES

June 5, 2006

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

RECOMMENDATION REGARDING SUPPORT OF STATE
LEGISLATION - RECOMMENDED ACTION FROM LOS
ANGELES COUNTY COMMISSION ON INSURANCE
(3-VOTE) (ALL DISTRICTS)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Support passage of the following bills: AB 2889 (Frommer) relating to Health Care Coverage; AB 2911(Nunez, Perata) relating to a Discount Prescription Drug Program; SB 1245 (Figueroa) relating to a Cervical Cancer Screening Test; SB 1534 (Alarcon) relating to Low Income Assistance; SB 1622 (Escutia) relating to Health Insurance.
2. Instruct the Executive Officer of the Board to send a five-signature letter to Governor Schwarzenegger, the President Pro Tempore of the Senate, Speaker of the Assembly, the Senate and Assembly minority leaders, and the Los Angeles County Legislative delegation expressing the Board's support of AB 2889, AB 2911, SB 1245, SB 1534, SB 1622.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

AB 2889 would expand the definition of a federally eligible defined individual to include an individual who has had 18 months of creditable coverage with the most recent coverage being under an individual health plan. It would prohibit a plan from denying coverage or enrollment to a larger group of persons and make additional conduct unlawful and impose a state mandated local program.

Scott J. Svonkin
Chairman

Daniel Falcon
Vice-Chairman

Barry R. Binder
Glenn S. Brown, J.D.
William K. Callagy
Michael G. Cheung
Curren D. Price, Jr.
Patricia Torres, Esq.
Steve Vicencia, CPCU

AB 2911 establishes the Discount Prescription Drug Program within the Department of Health Services. It requires the department to negotiate drug discount agreements with drug manufacturers and pursue manufacturer rebate agreements for drugs in each therapeutic category. It authorizes any licensed pharmacy and any drug manufacturer to participate in the program and creates the Prescription Drug Program Fund. This bill would establish eligibility criteria and application procedures for eligible Californians to participate in the program. The application process would require an applicant to attest to information provided under penalty of perjury which would expand the definition of an existing crime, thereby imposing a state-mandated local program.

SB1245 expands the coverage for an annual cervical cancer screening test provided by a health care service plan or a health insurance policy to include the human papillomavirus screening test. Because it would specify an additional requirement for a health care service plan, the willful violation would be a crime and impose a state-mandated local program.

SB1534 would require the California Health and Human Services Agency, Public Utilities Commission, State Department of Education, and Department of Insurance to work together to ensure that individuals and families meeting equivalent eligibility requirements for low income programs administered by these entities currently enrolled in all available programs for which they are eligible. It requires entities to work to create a single low income program application to cover all services afforded to low income populations and would allow those entities to establish a Low Income Advisory Board to implement the bill's requirement.

SB1622 would require the Department of Health Services and the Managed Risk Medical Insurance Board to develop an information document referred to as the "Employee Notification of Eligibility for Healthy Families/Medi-Cal," on or before January 1, 2008, containing information about the Healthy Families and Medi-Cal Programs. It would require employers within identified industries to provide notice to employees and specify that a violation of that requirement is a misdemeanor. This bill would also require the Employment Development Department to notify those employers of the requirements relating to the Employee Notification of Eligibility for Healthy Families/Medi-Cal.

The Commission recommends supporting these bills because it offers consumers the necessary protection and benefits. As a Commission representing the interests of the insured in the County of Los Angeles, we are concerned that the lack of adequate medical insurance for the underserved/uninsured will negatively affect the well-being of families and children in Los Angeles County. We support these bills because it increases the quality of life and well being of the consumer.

Implementation of Strategic Plan Goals

The recommended action is consistent with the County's strategic plan goals of Children and Families' Well-Being, Community Services, Health and Mental Health.

FISCAL IMPACT

The provisions outlined can save the County health and welfare costs associated with uninsured families.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The following statistics illustrate the magnitude of the problem:

- Almost 5 million individual in California live at or below the federal poverty level, and almost 12 million are not self-sufficient.
- Many children in working families, including many families whose family income range between forty thousand dollars (\$40,000) and eighty thousand dollars (\$80,000) are uninsured.
- Latinos are 50% more likely than whites not to buy drugs because they cannot afford them;
- 30% to 75% of brand-name drugs are cheaper in Canada and other countries;
- As of March 2005 at least 39 states had established or authorized some type of program to provide pharmaceutical coverage or assistance, primarily to low-income elderly or persons with disabilities who do not qualify for Medicaid;
- The effects of lack of insurance also negatively impact those who are insured because the cost of paying for care for the uninsured are often shifted to those who have insurance in the form of higher health insurance premiums.
- The National Health Law Program writes that through improved access to Medi-Cal and HF, children can stay healthy, obtaining the preventive care that is so crucial to their growth and development;
- The average age of a CSU undergraduate is now 24, which means that half are unable to continue coverage through their parents under current health plan and insurer rules and practices;
- Information about Healthy Families and Medi-Cal can be found only upon request, so that people must know the existence of these programs in order to insure their children; and

State officials, health organizations and labor federations strongly support these bills as effective legislation to provide options for constituents in obtaining medical insurance. Aside from the principal author, other legislators advocate passage of these bills.

Attached are state summaries of the bill. Also, the Chief Administrative Office's review of each bill and applicable county policies is attached.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended action is designed to safeguard and protect the County consumer and can help minimize the County's cost in health and welfare services.

Respectfully submitted,

SCOTT SVONKIN
Chairperson

c: Chief Administrative Officer
County Counsel
Executive Officer

Attachments

CA AB 2889

AUTHOR: Frommer (D)
TITLE: Health Care Coverage
LOCATION: SENATE

CODE SECTION:

An act to amend Section 1366.35 of the Health and Safety Code, and to amend Section 10785 of the Insurance Code, relating to health care coverage.

SUMMARY:

Relates to the Knox-Keene Health Care Service Plan Act which prohibits a service plan or insurer from declining to cover or enroll a federally eligible defined individual and from imposing a pre-existing condition on such individual. Expands the definition of a federally eligible defined individual to include an individual who has had 18 months of creditable coverage with the most recent coverage being under an individual health plan.

DIGEST:

LEGISLATIVE COUNSEL'S DIGEST

AB 2889, as amended, Frommer Health care coverage: federally eligible defined individual.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975 (the Knox-Keene Act), provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. Existing law also provides for the regulation of health insurers by the Department of Insurance. Under existing law, a health care service plan and a health insurer are prohibited from declining to cover or enroll a federally eligible defined individual, except as specified, and are also prohibited from imposing a preexisting condition exclusion with respect to such a person. Existing law defines a federally eligible defined individual, in part, as an individual who has had 18 months of creditable coverage, with the most recent coverage being under a group plan or specified governmental or church plan.

This bill would expand the definition of a federally eligible defined individual to include an individual who has had 18 months of creditable coverage, with the most recent coverage being under an individual health plan, as specified.

Because the bill, by expanding this definition, would prohibit a plan from denying coverage or enrollment to a larger group of persons, it would make additional conduct unlawful under the Knox-Keene Act, thereby imposing a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

STATUS:

02/24/2006	INTRODUCED.
03/13/2006	To ASSEMBLY Committee on HEALTH.
04/06/2006	From ASSEMBLY Committee on HEALTH with author's amendments.
04/06/2006	In ASSEMBLY. Read second time and amended. Re-referred

04/18/2006 to Committee on HEALTH.
From ASSEMBLY Committee on HEALTH: Do pass as amended to Committee on APPROPRIATIONS.
05/02/2006 In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.
05/10/2006 From ASSEMBLY Committee on APPROPRIATIONS: Do pass.
05/15/2006 In ASSEMBLY. Read second time. To third reading.
05/22/2006 In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE.

VOTES:

04/18/2006 Assembly Health Committee P 8-3
05/10/2006 Assembly Appropriations Committee P 13-5
05/22/2006 Assembly Floor P 44-28

Commentary:

Consistent with the following Board policy adopted on 1/17/06 in the State Legislative Agenda for the Second Year of the 2005-06 Session:

4.3.1 Support proposals that reduce the number of uninsured persons.

CA AB 2911

AUTHOR: Nunez (D)
COAUTHOR(S): Perata (D)
TITLE: California Discount Prescription Drug Program
FILE: 200
LOCATION: Assembly Third Reading File
CODE SECTION:

An act to add Division 112 (commencing with Section 130500) to the Health and Safety Code, relating to pharmacy assistance [D> , and making an appropriation therefor. <D] [A> _ <A]

SUMMARY:

Establishes the Discount Prescription Drug Program within the Department of Health Services. Requires the department to negotiate drug discounts agreements with drug manufacturers and pursue manufacturer rebate agreements for drugs in each therapeutic category. Authorizes any licensed pharmacy and any drug manufacturer to participate in the program. Creates the Prescription Drug Program Fund.

DIGEST:

LEGISLATIVE COUNSEL'S DIGEST

AB 2911, as amended, Nunez California Discount Prescription Drug Program.

Under existing law, the State Department of Health Services administers the Medi-Cal program, and is authorized, among other things, to enter into contracts with certain drug manufacturers. Under existing law, the department is entitled to drug rebates in accordance with certain conditions, and drug manufacturers are required to calculate and pay interest on late or unpaid rebates.

This bill would establish the California Discount Prescription Drug Program within the department. The bill would require the department to negotiate drug discount agreements with drug manufacturers and pursue manufacturer rebate agreements for drugs in each therapeutic category. The bill would authorize any licensed pharmacy and any drug manufacturer, as defined, to participate in the program. The bill would establish eligibility criteria and application procedures for eligible Californians to participate in the program. The application process would require an applicant to attest to information provided under penalty of perjury, which would expand the definition of an existing crime, thereby imposing a state-mandated local

program.

The bill would establish the California Discount Prescription Drug Program Fund into which all payments received under the program would be deposited. The bill would provide that moneys in the fund shall be made available, upon appropriation, to the department for purposes of the program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority . Appropriation: no . Fiscal committee: yes. State-mandated local program: yes.

STATUS:

02/24/2006	INTRODUCED.
03/23/2006	To ASSEMBLY Committee on HEALTH.
04/17/2006	From ASSEMBLY Committee on HEALTH with author's amendments.
04/17/2006	In ASSEMBLY. Read second time and amended. Re-referred to Committee on HEALTH.
04/25/2006	From ASSEMBLY Committee on HEALTH: Do pass as amended to Committee on APPROPRIATIONS.
05/02/2006	In ASSEMBLY. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.
05/10/2006	In ASSEMBLY Committee on APPROPRIATIONS: To Suspense File.
05/25/2006	From ASSEMBLY Committee on APPROPRIATIONS: Do pass.
05/30/2006	In ASSEMBLY. Read second time. To third reading.

VOTES:

04/25/2006 Assembly Health Committee	P 8-4
05/25/2006 Assembly Appropriations Committee	P 12-5

Commentary:

Consistent with the following Board policy adopted on 1/17/06 in the State Legislative Agenda for the Second Year of the 2005-06 Session:

4.4.4 Support enhanced access to prescription drugs for low-income uninsured persons.

CA SB 1118

AUTHOR: Figueroa (D)
TITLE: Health Care Insurance for All Children Act: Sales Tax
FISCAL COMMITTEE: no
URGENCY CLAUSE: no
LOCATION: Senate Revenue and Taxation Committee
CODE SECTION:

[D> ~~An act relating to health care insurance.~~<D] [A> An act to add Section 130500 to the Health and Safety Code, and to add Sections 6051.9, 6051.11, 6201.9, and 6201.11 to the Revenue and Taxation Code, relating to taxation, making an appropriate therefor, and declaring the urgency thereof, to take effect immediately.<A]

SUMMARY:

Imposes a 2% sales tax on carbonated beverages and on food products that are sold by specified retailers that include drive-in restaurants. Imposes an excise tax on the purchase of advertising space in excess of an established amount for advertisements of food products of poor nutritional quality. Creates the Children's Health Insurance Fund. Requires that all revenues, less refunds, derived from the above taxes be transferred to the fund.

DIGEST:

LEGISLATIVE COUNSEL'S DIGEST

SB 1118, as amended, Figueroa Health Care Insurance for All Children Act: Sales and Use Tax Law: soda: food products: advertisements.

The Sales and Use Tax Law imposes a tax on the sale of or the storage, use, or other consumption of, tangible personal property in this state at specified rates.

This bill would, in addition, impose a tax on the sale of or the storage, use, or other consumption of tangible personal property that is a carbonated beverage, as defined, in this state at a rate of 2%. This bill would also impose a tax on the sale of food products that are sold by specified retailers, as defined, that include drive-in restaurants, at a rate of 2%.

This bill would also impose an excise tax on the purchase, for use by an advertiser, of advertising space, as defined, in excess of an established amount, for food advertisements of food products of poor nutritional quality, as defined, to be aired within this state at the rate of ____ % of the annual gross receipts of any advertiser, as defined. This bill would require an advertiser to report annually to the State Board of Equalization regarding the amount of advertising space purchased.

This bill would create the Children's Health Insurance Fund and require that all revenues, less refunds, derived from the above taxes be transferred to the fund. This bill would continuously appropriate all of the money in the fund to the State Department of Health Services for children's health care related to obesity, diabetes, and other conditions.

This bill would result in a change in state taxes for the purpose of increasing state revenues within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of 2/3 of the membership of each house of the Legislature.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: 2/3 . Appropriation: yes . Fiscal committee: yes . State-mandated local program: no.

STATUS:

01/04/2006	INTRODUCED.
01/19/2006	To SENATE Committee on RULES.
04/17/2006	From SENATE Committee on RULES with author's amendments.
04/17/2006	In SENATE. Read second time and amended. Re-referred to Committee on RULES.
04/20/2006	Re-referred to SENATE Committees on HEALTH and REVENUE TAXATION.
05/03/2006	In SENATE Committee on HEALTH: Not heard.

05/03/2006

Re-referred to SENATE Committees on REVENUE AND TAXATION and HEALTH.

Commentary:

While support for SB 1118 would be consistent with Board policies adopted on 1/17/06 in the State Legislative Agenda for the Second Year of the 2005-06 Session including 4.3.1 Support proposals that reduce the number of uninsured persons, and 4.6.10 Support measures which fund programs that encourage healthy eating, availability of nutritious and safe foods, and reduce the prevalence of obesity, because this bill establishes a new tax, it is a matter for Board policy determination.

CA SB 1245

AUTHOR: Figueroa (D)
TITLE: Health Care Coverage: Cervical Cancer Screening Test
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
LOCATION: ASSEMBLY
CODE SECTION:

An act to amend Section 1367.66 of the Health and Safety Code, and to amend Section 10123.18 of the Insurance Code, relating to health care coverage.

SUMMARY:

Amends the Knox-Keene Health Care Services Plan Act. Expands the coverage for an annual cervical cancer screening test provided by a health care service plan or a health insurance policy to include the human papillomavirus screening test.

DIGEST:

LEGISLATIVE COUNSEL'S DIGEST

SB 1245, as amended, Figueroa Health care coverage: cervical cancer screening test.

Existing law, the Knox-Keene Health Care Services Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. Existing law also provides for the regulation of health insurers by the Department of Insurance. Under existing law, a plan and a health insurer that include coverage for the treatment or surgery of cervical cancer are deemed to provide coverage for an annual cervical cancer screening test that includes the conventional Pap test and the option of a cervical cancer screening test approved by the federal Food and Drug Administration (FDA).

This bill would expand the coverage for an annual cervical cancer screening test provided by a health care service plan or a health insurance policy to include the human papillomavirus screening test, as specified .

Because the bill would specify an additional requirement for a health care service plan, the willful violation of which would be a crime, it would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

STATUS:

02/07/2006 INTRODUCED.
02/16/2006 To SENATE Committees on BANKING, FINANCE AND INSURANCE and HEALTH.
04/19/2006 From SENATE Committee on BANKING, FINANCE AND INSURANCE: Do pass to Committee on HEALTH.
04/24/2006 From SENATE Committee on HEALTH with author's amendments.
04/24/2006 In SENATE. Read second time and amended. Re-referred to Committee on HEALTH.
04/26/2006 From SENATE Committee on HEALTH: Do pass to Committee on APPROPRIATIONS.
05/15/2006 From SENATE Committee on APPROPRIATIONS: To second reading without further hearing pursuant to Senate Rule 28.8.
05/17/2006 In SENATE. Read second time. To third reading.
05/25/2006 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY.

VOTES:

04/19/2006 Senate Banking, Finance and Insurance Committee P 11-0
04/26/2006 Senate Health Committee P 9-0
05/25/2006 Senate Floor P 34-2

Commentary:

Consistent with the following Board policy adopted on 1/17/06 in the State Legislative Agenda for the Second Year of the 2005-06 Session:

4.4.1 Support proposals to require public and private insurers to offer full coverage for all health services including prenatal care, contraceptives, and screening for diabetes, hypertension, cervical and breast cancer, HIV/STDs, substance abuse and mental health.

CA SB 1534

AUTHOR: Alarcon (D)
TITLE: Coordinated Low-Income Program Eligibility Assistance
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
LOCATION: ASSEMBLY
CODE SECTION:

An act to add Division [D>~~8.5~~<D] [A>8.75<A] (commencing with Section 9850) to the Welfare and Institutions Code, relating to low-income assistance.

SUMMARY:

Requires the California Health and Human Services Agency, the Public Utilities Commission, the State Department of Education, and the Department of Insurance to work together to ensure that individuals and families meeting equivalent eligibility requirements for low-income programs administered by these entities are concurrently enrolled in all available programs for which they are eligible. Requires the entities to work to create a low-income program application. Allows a low-income advisory board.

DIGEST:**LEGISLATIVE COUNSEL'S DIGEST**

SB 1534, as amended, Alarcon Coordinated low-income program eligibility assistance.

Under existing law, various state entities administer programs to provide financial

assistance and public health and social services to low-income individuals and families who meet the eligibility requirements for those programs.

This bill would require the California Health and Human Services Agency, the Public Utilities Commission, the State Department of Education, and the Department of Insurance to work together to ensure that individuals and families meeting equivalent eligibility requirements for low-income programs administered by these entities are concurrently enrolled in all available programs for which they are eligible. The bill would require the entities to work to create a single low-income program application to cover all services afforded to low-income populations, and would allow those entities to establish a Low-Income Advisory Board to implement the bill's requirements.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

STATUS:

02/23/2006	INTRODUCED.
03/09/2006	To SENATE Committees on HUMAN SERVICES and RULES.
04/25/2006	From SENATE Committee on HUMAN SERVICES: Do pass to Committee on RULES.
04/27/2006	Withdrawn from SENATE Committee on RULES.
04/27/2006	Re-referred to SENATE Committee on APPROPRIATIONS.
05/15/2006	From SENATE Committee on APPROPRIATIONS: Do pass as amended.
05/17/2006	In SENATE. Read second time and amended. To third reading.
05/18/2006	In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY.

VOTES:

04/25/2006	Senate Human Services Committee	P 5-0
05/15/2006	Senate Appropriations Committee	P 12-0
05/18/2006	Senate Floor	P 37-0

Commentary:

Consistent with the following Board policies adopted on 1/17/06 in the State Legislative Agenda for the Second Year of the 2005-06 Session:

4.3.1 Support proposals that reduce the number of uninsured persons, and expand Medi-Cal and Healthy Families coverage to low-income persons.

4.3.2 Support proposals to simplify and align Medi-Cal and Healthy Families eligibility rules, application, and re-determination processes to increase and expedite enrollment and promote retention, including presumptive eligibility, and elimination of financial barriers.

CA SB 1622

AUTHOR: Escutia (D)
TITLE: Healthy Families Program and Medi-Cal: Eligibility
FISCAL COMMITTEE: yes
URGENCY CLAUSE: no
LOCATION: ASSEMBLY

CODE SECTION:

An act to add Section 12693.335 to the Insurance Code, and to add Article 7.5 (commencing with Section 1120) to Chapter 4 of Part 1 of Division 1 of the Unemployment Insurance Code, relating to health insurance.

SUMMARY:

Requires the Department of Health Services and the Managed Risk Medical

Insurance Board to develop an informational document, referred to as the Employee Notification of Eligibility for Healthy Families/Medi-Cal, containing information about the Healthy Families Program and the Medi-Cal program. Requires employers, within identified industries, to provide the notice to employees. Specifies that a violation of that requirement is a misdemeanor.

DIGEST:

LEGISLATIVE COUNSEL'S DIGEST

SB 1622, as amended, Escutia Healthy Families Program and Medi-Cal: employee eligibility.

Existing law provides for various health programs under which qualified low-income persons are provided health care services. These programs include the Medi-Cal program, which is administered by the State Department of Health Services, and the Healthy Families Program, which is administered by the Managed Risk Medical Insurance Board. Existing law also requires the Employment Development Department to administer the unemployment compensation system and makes it a misdemeanor for a person to fail to supply information required by the Unemployment Insurance Code.

This bill would require the State Department of Health Services and the Managed Risk Medical Insurance Board to develop , on or before January 1, 2008, an informational document, referred to as the "Employee Notification of Eligibility for Healthy Families/Medi-Cal," containing certain information about the Healthy Families Program and the Medi-Cal program. The bill would require California employers within identified industries , as specified, to provide the notice to employees, and would specify that a violation of that requirement is a misdemeanor. The bill would also require the Employment Development Department to notify those employers of the requirements relating to the Employee Notification of Eligibility for Healthy Families/Medi-Cal.

Because the bill would expand the scope of a crime, it would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

STATUS:

02/24/2006	INTRODUCED.
03/09/2006	To SENATE Committees on BANKING, FINANCE AND INSURANCE and HEALTH.
04/05/2006	From SENATE Committee on BANKING, FINANCE AND INSURANCE: Do pass as amended to Committee on HEALTH.
04/17/2006	In SENATE. Read second time and amended. Re-referred to Committee on HEALTH.
04/18/2006	From SENATE Committee on HEALTH with author's amendments.
04/18/2006	In SENATE. Read second time and amended. Re-referred to Committee on HEALTH.
04/26/2006	From SENATE Committee on HEALTH: Do pass as amended to Committee on APPROPRIATIONS.
05/03/2006	In SENATE. Read second time and amended. Re-referred to

Committee on APPROPRIATIONS.
05/15/2006 From SENATE Committee on APPROPRIATIONS: Do pass.
05/17/2006 In SENATE. Read second time. To third reading.
05/30/2006 In SENATE. Read third time. Passed SENATE. *****To
ASSEMBLY.

VOTES:

04/05/2006 Senate Banking, Finance and Insurance Committee P 7-1
04/26/2006 Senate Health Committee P 5-4
05/15/2006 Senate Appropriations Committee P 7-5
05/30/2006 Senate Floor P 24-12

Commentary:

Consistent with the following Board policy adopted on 1/17/06 in the State
Legislative Agenda for the Second Year of the 2005-06 Session:

4.3.1 Support proposals that reduce the number of uninsured persons, and expand
Medi-Cal and Healthy Families coverage to low-income persons.



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

July 7, 2006

To: Scott Svonkin, Chairperson
Commission on Insurance

From: David E. Janssen
Chief Administrative Officer

**REQUEST FOR REVIEW OF LEGISLATIVE RECOMMENDATIONS FROM THE
COMMISSION ON INSURANCE**

At your request, we have reviewed the recommendations of the Commission on Insurance to the Board of Supervisors to support **AB 2889 (Frommer)**, **AB 2911 (Nuñez)**, **SB 1245 (Figueroa)**, **SB 1534 (Alarcon)**, and **SB 1622 (Escutia)**. A brief summary of each bill and review of applicable County policy follows:

AB 2889 (Frommer), as amended on June 26, 2006, would require health care service plans and health insurers to permit a person who has been covered for at least 18 months under an individual plan contract to transfer at least once a year, without medical underwriting, to any other individual plan contract with equal or lesser benefits offered by the same health care service plan or insurer. The Health Insurance Portability and Accountability Act allows limited portability of health insurance from the group to the individual market. However, existing law does not recognize portability rights for individuals who pass medical underwriting and secure coverage in the individual health insurance market, but later want to switch to a different product. AB 2889 would allow people who successfully passed underwriting, and who have maintained coverage at their own expense, to switch coverage to a different individual health insurance product offered by the same health care service plan or provider without having to be medically underwritten again.

Proponents indicate that existing law does not recognize portability rights for individuals who successfully pass medical underwriting and secure coverage in the individual market, but later want to switch to a different product, and that those who buy and maintain individual coverage may be severely restricted in their ability to change to a different type of coverage. AB 2889 would allow a person already insured for a period

of 18 months in the individual market to switch to a different individual market product offered by their present plan or insurer.

Opponents argue that this bill will lead to adverse selection in the individual market and increased costs because those who are most likely to be unable to switch to a different plan are those who are at high risk.

The Department of Health Services indicates that AB 2889 would have no impact on the Department's administration of the Community Health Plan (CHP) because the CHP does not participate in the individual health insurance market which this bill seeks to regulate.

AB 2889 is supported by the Commissioner of the California Department of Insurance; Health Access, Protection & Advocacy, Inc.; and the American Federation of State, County and Municipal Employees. It is opposed by the Association of California Life and Health Insurance Companies, California Association of Health Plans, and Health Net. AB 2889 passed the Senate Health Committee on June 29, 2006 by a vote of 8 to 0 and has now been referred to the Senate Appropriations Committee.

The County does not have a position on the portability of insurance in the individual market, therefore support for the bill is a matter for Board policy determination.

AB 2911 (Nuñez), as amended on May 2, 2006, would establish the California Discount Prescription Drug Program in the California Department of Health Services (CDHS) to use manufacturer rebates and pharmacy discounts in order to reduce prescription drug prices and improve the quality of health care for eligible low-income Californians. Those eligible would include State residents with a family income equal to or less than 350 percent of the Federal poverty guidelines who do not have outpatient prescription drug coverage, whose family incurs unreimbursed medical expenses equaling 10 percent or more of family income, or whose family income does not exceed the State's median family income. AB 2911 would require the CDHS to negotiate drug discount agreements with drug manufacturers and pursue manufacturer rebate agreements for drugs in each therapeutic category. The bill would authorize any licensed pharmacy and any drug manufacturer to participate in the program.

Proponents contend that AB 2911 would use the State's purchasing and negotiating power to create a drug discount card program to help Californians cope with the rising cost of prescription drugs.

Opponents indicate that while government intervention may produce some short-term savings, the long-term negative effects on the biomedical industry would be substantial.

The Department of Health Services indicates that AB 2911 will benefit the County by providing our patients the option of using community retail pharmacies for their medication needs. Participating community pharmacies will be able to provide drugs at a reduced cost to qualified patients, many of whom are currently using County pharmacies to obtain discounted drug prices. DHS anticipates that the program may reduce the number of prescriptions provided by the County by more than fifty percent.

AB 2911 is sponsored by the OuRx Coalition and supported by Insurance Commissioner John Garamendi, AARP California, California Consumers United, Congress of California Seniors, Consumers Union, Health Access California, and Service Employees International Union. It is opposed by the California Healthcare Institute. AB 2911 passed the Senate Health Committee on June 29, 2006 by a vote of 5 to 4 and is now awaiting committee assignment.

The County does not have a position on discount prescription drug programs, however, support would be consistent with existing policy to support enhanced access to prescription drugs for low-income uninsured persons.

SB 1245 (Figueroa), as amended on June 22, 2006, would expand coverage for annual cervical cancer screening by including a test for the human papillomavirus (HPV) that is approved by the Federal Food and Drug Administration. This expanded test would be performed on referral by the patient's health care provider, and in addition to the Pap test. According to screening guidelines provided by the American College of Obstetricians and Gynecologists and the American Cancer Society, the HPV test should be used in conjunction with the Pap test for routinely screening women age 30 and older for HPV and cervical cancer. Most health insurers cover the traditional Pap-based cervical cancer screening; however, it is unknown precisely which health care providers cover the HPV test.

Proponents of SB 1245 state that the HPV test is an effective and important cervical cancer screening test that should become part of the standard of care and adopted into current practice by physicians, and although it appears that the law governing HMOs does require medically necessary tests to be covered, physicians have reported difficulty with patients obtaining coverage for this test.

The opponents generally oppose health benefit mandate bills that reduce options for health plan designs in California and contribute to the rising cost of health insurance.

The Department of Health Services indicates that it is widely known that cervical cancer is almost totally preventable or treatable by early detection and SB 1245 would provide another means for achieving early detection.

SB 1245 is supported by the American College of Obstetricians and Gynecologists, California Association of Nurse Practitioners, California Clinical Laboratory Association, California Federation of Teachers, California Labor Federation, AFL-CIO, California Medical Association, California Nurses Association, California Society of Pathologists, California Teamsters Public Affairs Council, and the National Association of Social Workers California Chapter, among others. It is opposed by the Association of California Life and Health Insurance Companies, California Association of Health Underwriters, and the California Restaurant Association. SB 1245 passed the Assembly Appropriations Committee on June 28, 2006 by a vote of 16 to 0 and now proceeds to the Assembly Floor.

Although there is no specific Board policy on expansion of coverage for annual cervical cancer screening to include an HPV test, support for SB 1245 would be consistent with existing policy to support proposals to require public and private insurers to offer full coverage for all health services including prenatal care, contraceptives, and screening for diabetes, hypertension, cervical and breast cancer, HIV/STDs, substance abuse and mental health.

SB 1534 (Alarcon), as amended on May 17, 2006, would require the California Health and Human Services Agency, the Public Utilities Commission, the State Department of Education, the Business, Transportation and Housing Agency, and the Department of Insurance to work together to ensure concurrent enrollment for individuals and families who meet minimum income eligibility requirements for low-income programs and to consider creating a single application for all services for low-income populations. It would require those entities to complete their work and report on their efforts to the affected committees of the Legislature by January 1, 2009.

Proponents indicate that requiring low-income persons to demonstrate repeatedly that they are low-income is a wasteful repetitive process and that a single application system could result in needy persons learning about and receiving services of which they are not aware. There is no opposing argument.

The Department of Health Services indicates that SB 1534 would eventually result in a universal application for all services for low-income populations and is a step in the right direction toward ensuring that all those who are eligible are enrolled.

SB 1534 is supported by the American Federation of State, County and Municipal Employees, California Catholic Conference, Mexican American Legal Defense and Educational Fund, and Pacific Gas and Electric Company. There is no registered opposition. SB 1534 passed the Assembly Human Services Committee on June 27, 2006 by a vote of 5 to 0 and is scheduled for hearing in the Assembly Appropriations Committee on August 9, 2006.

Although there is no specific Board policy on concurrent enrollment in programs for low-income populations, support for SB 1534 would be consistent with existing policy to support proposals that reduce the number of uninsured persons, and expand Medi-Cal and Healthy Families coverage to low-income persons. It also would be consistent with existing policy to support proposals to simplify and align Medi-Cal and Healthy Families eligibility rules, application, and re-determination processes to increase and expedite enrollment and promote retention, including presumptive eligibility, and elimination of financial barriers.

SB 1622 (Escutia), as amended on June 21, 2006, would require the California Department of Health Services and the Managed Risk Medical Insurance Board to collaborate on creating a notice that selected employers must provide to employees which would explain eligibility requirements for Medi-Cal and the Healthy Families Program and describe how to obtain additional information. It would require employers to provide the notice to their employees, make a violation of this requirement a misdemeanor, and require the State Labor Commissioner to enforce the provisions of this bill.

Previous versions of this bill have been vetoed. In one veto message, Governor Davis cited his concerns that the bill would have mandated a new cost on employers and could lead to "crowd-out" by encouraging them to replace existing employer-based coverage with publicly-funded health coverage. In addition, these activities target a broad audience and are not strategically designed to target the harder-to-reach and under-enrolled populations, or focus only on employers that do not provide health coverage to dependents.

Proponents indicate that because parents are not well-informed about public insurance program requirements, SB 1622 would help reduce the number of uninsured children and ensure that Californians are enrolled in the programs for which they are eligible.

Opponents note that SB 1622 would require employers to encourage employees to enroll in Medi-Cal and the Healthy Families Program and may expose those employers to a new liability if AB 1840 (Horton) and SB 1414 (Migden) become law. AB 1840 would require identification of all employers who employ 25 or more persons who are

Scott Svonkin
July 7, 2006
Page 6

beneficiaries enrolled in public health programs in order to determine which employers are shifting their responsibility to provide health care coverage for their employees onto State taxpayers. SB 1414 would require employers with 10,000 or more employees to spend a percentage of their payroll on employee health insurance benefits or make payments to the State to reimburse the Medi-Cal Program.

The Department of Health Services (DHS) indicates that the Department generally supports the outreach efforts proposed in SB 1622, but has no opinion as to whether these marketing tactics would be cost effective. The bill poses no additional workload or costs on DHS.

SB 1622 is sponsored by the Mexican American Legal Defense and Educational Fund, and supported by American Federation of State County and Municipal Employees, California Medical Association, Consumers Union, Health Access California, Latino Coalition for a Healthy California, Latino Health Alliance, and Service Employees International Union. It is opposed by the California Chamber of Commerce. SB 1622 passed the Assembly Health Committee on June 27, 2006 by a vote of 8 to 4 and was referred to the Assembly Appropriations Committee.

There is no specific Board policy on requiring employer notification of employees regarding eligibility for public insurance programs although there is existing policy to support proposals that: 1) reduce the number of uninsured persons, and expand Medi-Cal and Healthy Families coverage to low-income persons, and 2) simplify and align Medi-Cal and Healthy Families eligibility rules, application, and re-determination processes to increase and expedite enrollment. Therefore, because there is no policy on mandated employer notification, a position on SB 1622 is a matter for Board policy determination.

If you have any questions or would like additional information, please contact Maxine Schmidl of my staff at (213) 893-2164.

DEJ:GK
MAL:MS:cc

c: Executive Officer, Board of Supervisors